

level supervisor to consider evidence that the loan is not in default. If the borrower fails to satisfy the account during the period specified in the demand letter, FmHA or its successor agency under Public Law 103-354 will proceed with foreclosure without further notice or extension of time.

(c) *Conveyance to FmHA or its successor agency under Public Law 103-354.* FmHA or its successor agency under Public Law 103-354 does not solicit or encourage conveyance of NP security property to the Government and will consider a borrower's offer to convey by deed in lieu of foreclosure only after the debt has been accelerated and when it is in the Government's best interest. Release of the borrower from liability is not authorized. Upon receipt of an offer to convey, FmHA or its successor agency under Public Law 103-354 will remind the borrower of provisions for voluntary liquidation under paragraph (a) of this section. The borrower will also be informed of the consequences of a conveyance by deed in lieu of foreclosure as follows:

(1) All costs related to the conveyance which FmHA or its successor agency under Public Law 103-354 pays will be added to the debt;

(2) A credit equal to the market value of the property, as determined by FmHA or its successor agency under Public Law 103-354, less prior liens, will be applied to the debt; and

(3) If the credit does not satisfy the debt, the debtor remains liable for the payment of the account balance and the account will be debt settled.

(d) *Consent to sale of real estate security when the FmHA or its successor agency under Public Law 103-354 debt and authorized selling expenses exceed market value.* If an NP borrower proposes to sell real estate security for an amount which will be insufficient to pay the FmHA or its successor agency under Public Law 103-354 debt, prior lien(s) if any, and sale expenses authorized by FmHA or its successor agency under Public Law 103-354, an appraisal will be completed and FmHA or its successor agency under Public Law 103-354 may consent to the sale if the proposed sale price is not less than the market value. No commission will be allowed or paid under this paragraph when the sale is

to the broker, broker's salesperson(s), to persons living in his/her or salesperson(s) immediate household or to legal entities in which the broker or salesperson(s) have an interest if the sale involves FmHA or its successor agency under Public Law 103-354 credit. If credit is not being extended to the persons mentioned in the preceding sentence (a cash sale), a commission will be allowed or paid. In no case will the borrower (seller) receive any cash proceeds from the sale. Any real estate taxes due from the transferor and other authorized selling expenses for which there is insufficient equity proceeds for payment at closing will be charged to the borrower's account prior to loan closing. Authorized selling expenses will not be considered or included in the amount assumed. Release from liability is not authorized.

**§ 1951.469 Actions after liquidation of property.**

(a) [Reserved]

(b) *Servicing unsatisfied account balances.* A current financial statement will be obtained, if possible, when application of sale proceeds does not satisfy an NP loan; or if a conveyance to FmHA or its successor agency under Public Law 103-354 has been accepted and credit of the market value less prior liens and estimated inventory handling expenses does not satisfy the debt, FmHA or its successor agency under Public Law 103-354 will pursue collection if there appears to be income or assets from which to collect. Where the borrower owns other real estate, or if the borrower is known to be in the process of purchasing other real estate (such as another dwelling), a judgment for the remaining debt including expenses paid by FmHA or its successor agency under Public Law 103-354 will be sought.

(c) [Reserved]

**§§ 1951.470-1951.478 [Reserved]**

**§ 1951.479 Pilot projects.**

From time to time FmHA or its successor agency under Public Law 103-354 conducts pilot projects to test concepts related to the management and/or sale of SFH inventory property which may

deviate from the provisions of this subpart, but will not be inconsistent with provisions of the authorizing statutes, or other Acts affecting FmHA or its successor agency under Public Law 103-354's loan programs. Prior to initiation of a pilot project, FmHA or its successor agency under Public Law 103-354 will publish in the FEDERAL REGISTER a Notice outlining the nature, scope, and duration of the pilot. The pilot projects may be handled by FmHA or its successor agency under Public Law 103-354 employees and/or under contract with persons, firms, or other entities in the private sector.

**§ 1951.480 [Reserved]**

**§ 1951.481 FmHA or its successor agency under Public Law 103-354 Instructions.**

Detailed FmHA or its successor agency under Public Law 103-354 Instructions for administering this subpart are available in any FmHA or its successor agency under Public Law 103-354 office (FmHA or its successor agency under Public Law 103-354 Instruction 1951-J).

**§§ 1951.482-1951.500 [Reserved]**

**Subpart K—Predetermined Amortization Schedule System (PASS) Account Servicing**

SOURCE: 50 FR 8597, Mar. 4, 1985, unless otherwise noted.

**§ 1951.501 General.**

(a) This subpart prescribes the policies, authorizations, and procedures for implementing and servicing PASS for all of the following Farmers Home Administration or its successor agency under Public Law 103-354 (FmHA or its successor agency under Public Law 103-354) Multiple Family Housing (MFH) loan recipients which includes Farm Labor Housing (LH) and Rural Rental Housing (RRH) including Rural Cooperative Housing (RCH) and Congregate Housing and includes:

(1) All MFH loans, credit sales, re-amortizations, and transfers closed on or after May 1, 1985, and

(2) All MFH loan recipients converting from the Daily Interest Ac-

cruel System (DIAS) to PASS according to § 1951.517 of this subpart, except:

(i) Seasonal LH and LH loans to individual farmers may be closed on monthly or annual payment schedules and also may be closed on Daily Interest Accrual under subpart A of part 1951 of this chapter. Instructions for scheduling payments are according to the Forms Manual Insert (FMI) for Form FmHA or its successor agency under Public Law 103-354 1944-52, "Multiple Family Housing Promissory Note."

(ii) Rural Housing Site (RHS) loans and Site Option (SO) loans will be closed and serviced on Daily Interest Accrual under subpart A of part 1951 of this chapter. Payment billings are subject to § 1951.506 of this subpart.

(b) All MFH loan recipients not described in paragraph (a) of this section will continue to be subject to the servicing and collection requirements of subpart A of part 1951 of this chapter. For the purposes of this subpart, all references to "County Supervisor" in subpart A of part 1951 shall be construed to mean "District Director."

(c) All FmHA or its successor agency under Public Law 103-354 MFH loans (RRH, RCH, LH, RHS, and SO) whether DIAS or PASS, are subject to the definitions contained in § 1951.504 of this subpart, and payment application as outlined in § 1951.510 of this subpart.

(d) All MFH loan payments will be processed using Exhibit A of this subpart (available in any FmHA or its successor agency under Public Law 103-354 office).

[50 FR 8597, Mar. 4, 1985, as amended at 53 FR 16244, May 6, 1988; 56 FR 28038, June 19, 1991]

**§ 1951.502 [Reserved]**

**§ 1951.503 Authorities and responsibilities.**

District Directors are responsible for administering this subpart under the general guidance and supervision of the State Director. The District Office Management System will be fully used to accomplish this responsibility.